WASHINGTON (April 18) – The House Financial Services Committee today approved legislation that cuts the deficit by more than $35 billion.

The Committee was instructed by the House last month to approve budget savings of $29.8 billion over the next 10 years in programs and agencies under its jurisdiction. The Committee went above and beyond that deficit reduction target by more than $5 billion. “Our nation is in a spending-driven debt crisis. The solution isn’t to tax Americans more, it’s for Washington to spend less,” said Congressman Spencer Bachus (AL-6), who is Chairman of the Committee. “Total Federal debt now surpasses the size of the entire U.S. economy. Since the end of 2008, debt held by the public has increased by more than $4 trillion – a 70 percent increase in less than four years. This cannot continue. House Republicans are again offering real solutions that help put the nation on a path toward fiscal responsibility.”

Instead of offering solutions to cut out-of-control Washington spending, Democrats on the Committee offered an amendment to impose tens of billions of dollars in new taxes on financial institutions that would be passed on to consumers and weaken the economy.

The amendment was offered by the Committee’s top Democrat, Rep. Barney Frank. It would have directed revenue raised from the new tax directly into the fund created by the Dodd-Frank Act to bail out Wall Street firms considered “too big to fail.”

The Committee rejected the amendment.

“Everyone knows this tax would be paid by consumers at a time when Americans are already being hit with a doubling of gas prices since President Obama came into office. This tax would also drive up the cost of credit, reduce services and weaken the U.S. economy,” said Chairman Bachus.

Already, banks are limiting popular consumer benefits and services like free checking to cover the cost of expensive new regulations, several members of the Committee noted.

Rather than continue the Dodd-Frank bailout authority with a new tax, Republicans on the Financial Services Committee voted today to eliminate the Dodd-Frank bailout fund. The Congressional Budget Office (CBO) reports that elimination of the bailout fund results in a savings of $22 billion over the next 10 years.

In addition to eliminating the Dodd-Frank bailout authority, the Committee voted to:

- Eliminate HAMP, a TARP-funded foreclosure program that has garnered bipartisan criticism for its ineffectiveness – saving $2.8 billion, according to CBO.
- Make the Consumer Financial Protection Bureau subject to the appropriations process in order to bring accountability and oversight to the CFPB's spending – saving $5.4 billion, according to CBO.
- Reauthorize the National Flood Insurance Program for five years and institute reforms – saving $4.9 billion, according to CBO.
- Repeal the Office of Financial Research – saving $270 million, according to CBO.

More information about the Committee's deficit reduction measures follows:

Ending Dodd-Frank's "Too Big to Fail" Bailout Fund:
In order to ensure taxpayers are no longer the financial backstop of "too big to fail" firms, the Committee voted to eliminate the bailout authorities created by the Dodd-Frank Act. Dodd-Frank, signed into law in July 2010, permanently established a bailout regime in which the Federal government will expend considerable sums upfront to bailout creditors of failed firms. The Act also gave the FDIC additional bailout authority, including:

- The FDIC can lend to a failing firm; purchase the assets of a failing firm; and guarantee the obligations of a failing firm;
- The FDIC can borrow up to 10% of the book value of the failed firm's total consolidated assets in the 30 days immediately following its appointment as receiver; after those 30 days, the FDIC is authorized to borrow up to 90% of the fair value of the failed firm's total consolidated assets.

By eliminating these authorities, the Committee is bringing a real end to taxpayer funded bailouts and ensuring taxpayers are never again asked to pay for bad bets on Wall Street.

Eliminating HAMP, a Failed TARP-Funded Government Program:
The deficit reduction proposal also includes H.R. 839, which was approved by the House on March 29, 2011. H.R. 839 terminates Treasury's authority to provide new assistance under HAMP, the Home Affordable Modification Program. HAMP has proven to be ineffective and failed to achieve any of the Administration's stated goals. The Special Inspector General for TARP (SIGTARP), the Congressional Oversight Panel, and the Government Accountability Office have all detailed the shortcomings of HAMP and highlighted how this program has hurt, rather than helped, struggling homeowners.Since HAMP was established in 2009, Treasury has spent $2.54 billion of the $30 billion in TARP funds set aside for program.

Bringing Spending Accountability and Oversight to the CFPB:
The CFPB is a large and powerful Federal agency that is – by design – accountable to neither the executive branch nor Congress. The CFPB receives its funding directly from the Federal Reserve instead of from Congress, and the CFPB director has sole authority on how the Bureau's money is spent with no oversight from Congress, the Administration or the Federal Reserve. In order to bring accountability and oversight to the Bureau's spending, the Committee proposal includes the CFPB in the appropriations process. Under the Dodd-Frank Act, the Federal Reserve must transfer to the CFPB whatever funds its director requests, up to the following fixed percentages of the Federal Reserve's operating expenses:

- 11 percent in fiscal year 2012, or $547.8 million;
- 12 percent in fiscal year 2013, or $597.6 million; and
- 12 percent each fiscal year thereafter, subject to annual adjustments for inflation.

These funds – diverted from the Federal Reserve to the CFPB – would otherwise have been forwarded to the Treasury where they could be used to reduce the national debt.

Included in the Committee's legislation is a recommendation to authorize $200 million for the CFPB, a realistic estimate of what the Bureau needs to carry out its consumer protection mission based on its FY 2011 budget. Congressional appropriators could increase or lower that amount based on agency requirements and fiscal conditions.

Reauthorizing and reforming the National Flood Insurance Program:
The Committee's deficit reduction plan includes H.R. 1309, a five-year NFIP reauthorization and reform bill that passed the House 406-22 on July 12, 2011. Congress has not passed a long-term reauthorization of the program since 2004. Since September 2008, Congress has passed 11 short-term extensions and allowed the program to temporarily lapse three times.

Repealing the Office of Financial Research (OFR):
OFR, created by the Dodd-Frank Act, has broad powers to demand “all data necessary” – including sensitive, non-public information – from banks, hedge funds, brokerages and other financial companies. OFR can also obtain information about individual loans, and the OFR director is empowered to compel the production of this information through subpoena. Like the CFPB, the Office of Financial Research lacks accountability and transparency. The agency sets its own budget and is not funded through the appropriations process.

For video excerpt of Congressman Bachus opening statement, click here.